

Message Text

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PAGE 01 CANBER 03247 280708Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 AID-05 EB-08 TRSE-00 STR-07 OMB-01 CEA-01
COME-00 AGRE-00 /100 W
-----082945 290457Z /11

R 280616Z APR 78
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 3126
INFO AMEMBASSY BRUSSELS
AMCONSUL MELBOURNE
AMEMBASSY PARIS
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

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USOECD

USEEC

E.O. 11652: N/A
TAGS: ETRO, ECON, PFOR
SUBJ: FONMIN PEACOCK EXPLAINS FRASER VISIT TO JAPAN

REF: (A) CANBERRA 3116, (B) CANBERRA 2834, (C) CANBERRA 2800,
(D) CANBERRA 2501(ALL NOTAL)

SUMMARY

1. IN ADDRESS DELIVERED APRIL 27 TO NSW BRANCH OF AUSTRALIAN
INSTITUTE OF INTERNATIONAL AFFAIRS ON THE TOPIC OF "INTER-
NATIONAL ECONOMIC RELATIONS", FOREIGN MINISTER ANDREW PEACOCK
EXPLAINED PURPOSE AND RESULTS OF PRIME MINISTER FRASER'S
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RECENT VISIT TO JAPAN (REFTELS A AND D). END SUMMARY

2. ACCORDING TO A REPORT IN THE SYDNEY MORNING HERALD
PEACOCK SAID THAT THE "INVINCIBLE PAROCHIALISM OF SOME
AUSTRALIAN COMMENTATORS" MADE IT DIFFICULT FOR THEM TO SEE
THAT PM'S RECENT VISIT TO JAPAN HAD BEEN TO DISCUSS MORE
THAN BEEF AND IRON ORE.

3. PEACOCK TOLD HIS AUDIENCE THAT HE AND PM HAD VISITED JAPAN TO DISCUSS WORLD TRADE RECOVERY AND RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, NOT BILATERAL ISSUES. HE IS REPORTED TO HAVE SAID THAT IN THE NORTH-SOUTH CONTEXT THE PRESENT STAND-OFF IN DISCUSSIONS OVER A COMMON FUND TO STABILIZE COMMODITY MARKETS REVEALED THE NEED FOR MORE FLEXIBILITY ON BOTH SIDES IF DISTRUST AND ANTAGONISM BETWEEN DEVELOPED AND DEVELOPING COUNTRIES WAS TO BE AVOIDED. HE IS REPORTED TO HAVE ADDED THAT THE PRESENT DECADE OF CHRONIC INFLATION, UNEMPLOYMENT, REDUCED INTERNATIONAL TRADE AND MONETARY PROBLEMS HAD ALSO BEEN THE DECADE OF THE NORTH-SOUTH DIALOGUE IN WHICH THIR DWORLD COUNTRIES, FOLLOWING THE OPEC OIL PRICE RISES, HAD BECOME MORE " ASSERTIVE, CONFIDENT AND EFFECTIVE." HE ADDED THAT " IN THE MID-70'S IT LOOKED AS IF WHAT WAS EMERGING WAS NOT DIALOGUE BUT CONFRONTATION, CHARACTERIZED BY INCREASING BITTERNESS AND HOSTILITY. IN THE PAST YEAR THE ATMOSPHERE HAS IMPROVED BUT..IT COULD EASILY DETERIORATE AGAIN IF SOME THIRD WORLD EXPECTATIONS ARE NOT MET."

4. PEACOCK IS REPORTED TO HAVE CRITICIZED THE DEVELOPED COUNTRIES FOR A TENDENCY TO TREAT ECONOMIC RECOVERY AND THEIR RELATIONS WITH DEVELOPING COUNTRIES AS TWO SEPARATE QUESTIONS. " ECONOMIC RECOVERY", HE SAID, "HAS BEEN SEEN LIMITED OFFICIAL USE

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AS SOMETHING ESSENTIALLY FOR DEVELOPING COUNTRIES TO ATTEND TO..DEPENDING ON THE "JLOCOMOTIVE' APPROACH, THAT IS ON THE POWER OF THE THREE MAJOR MARKET ECONOMIES TO BRING ABOUT A GENERAL RECOVERY."

5. HE ADDED, HOWEVER, THAT "WESTERN LEADERS ARE BEGINNING TO APPRECIATE THAT A RETREAT TO PROTECTIONISM, INCREASINGLY LIKELY THE MORE WORLD TRADE RECOVERY IS DELAYED, WOULD ALMOST CERTAINLY CAUSE A DISASTEROUS DETERIORATION IN NORTH/SOUTH RELATINS - A RETURN TO THE CONFRONTATION OF THE MID-SEVENTIES AND PERHAPS WORSE."

6. PEACOCK CONCLUDED BY SAYING THAT THERE WAS "FIRM SUPPORT" FROM JAPAN FOR THE VIEW THAT THE CONTINUED GROWTH OF DEVELOPING ECONOMIES WAS ESSENTIAL TO THE LONG-TERM SUSTAINED GROWTH OF DEVELOPED ECONOMIES.

7. COMMENT: PEACOCK'S ADDRESS CLEARLY FOLLOWED THE THREE PRINCIPLE THEMES WHICH ARE THE PILLARS OF FRASER'S CURRENT INTERNATIONAL ECONOMIC THINKING: (1) THE DEPLORABLE WORLD ECONOMIC CONDITION; (2) THE PROBLEMS OF INTERNATIONAL TRADE AND THE NEED FOR A BREAKTHROUGH IN THE MTN(READ A BREAK-

THROUGH IN THE AGRICULTURAL COMMODITIES FIELD); AND
(3) THE PROBLEMS OF THE THIRD WORLD AND THE NEED TO MOVE OF
DEAD-CENTER ON THE COMMON FUND (REF C). IN RECENT TALKS
WITH J.C. JUMPHREYS, FIRST ASSISTANT SECRETARY, ECONOMIC
DIVISION, DFA, WE GIVEN FIRM INDICATION THAT FRASER COULD
BE EXPECTED TO CONCENTRATE ON THESE THREE THEMES DURING
TALKS WITH VICR PRESIDENT MONDALE, AT KINGSTON MINI-SUMMIT
AND IN THE U.S. BEFORE AND PERHAPS AFTER THE MINI-SUMMIT
(REF B).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL VISITS, NEGOTIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CANBER03247
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780183-0520
Format: TEL
From: CANBERRA USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978046/aaaaaetw.tel
Line Count: 125
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5b6fa1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CANBERRA 3116, 78 CANBERRA 2834, 78 CANBERRA 2800, 78 CANBERRA 2501
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2978056
Secure: OPEN
Status: NATIVE
Subject: FONMIN PEACOCK EXPLAINS FRASER VISIT TO JAPAN
TAGS: ETRD, ECON, PFOR, AS, JA, (FRASER, J MALCOLM)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/5b6fa1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014